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DFI Fall 2008 Newsletter

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The Credit Crunch – Businesses Can Still Access Financing

These past several months have been interesting times. The news has not always been positive, but interesting nonetheless. We have all heard about financial market collapses, bank failures, economic recession, and an historic election on top of it all. With all the financial turmoil, businesses still need to invest in technology, people, and the raw materials necessary to produce their respective products and services. Banks have really tightened credit leaving businesses with limited access to capital. As an alternative, enterprises can turn to leasing companies for their equipment funding needs. This newsletter explains how to get access to funds that are readily available to address immediate financing needs.



The Economy – Outlook, Credit, and Interest Rates

There is a lot of doom and gloom with respect to the economic outlook. Consumer confidence is down, business spending is weak, job losses are at a five-year high, manufacturing activity has plunged, and credit conditions are very tight. Some experts predict that this latest downturn in our economy will be mild, but it could last a while – estimates put this slump lasting 16 months or more.

With all the recent news of bank failures and stock price drops, the initial reaction within the credit community is to clamp down on extending loans to consumers and businesses. To help struggling banks, the government (Treasury, Federal Reserve, and Congress) have taken action to promote lending practices through bail-outs and interest rate cuts. Still, banks are cautiously moving forward being very selective on who qualifies for credit and how much.

Alternative Funding Sources

So where do businesses turn to when they need access to capital to invest in equipment



necessary to run their daily operations? The answer is alternative lenders more commonly known as independent lease companies. An independent lease company has multiple sources from which they can use to fund equipment acquisitions. Therefore, capital is available to help businesses meet their growth needs.

However, it is very important to note that credit history plays a significant role in getting qualified for lease financing. The better the credit, the more likely a business can get access to needed funds. Businesses that are credit challenged can still get access to funds, but they will pay a premium for doing so. Additionally, personal and/or corporate guarantees are necessary to secure lease financing independent of a business' credit history.

The benefits of using leasing over bank financing, which may be limited, or using liquid assets (cash) are numerous, including:

- Improves cash flow – cash is not tied up in hard assets and can be freed up for day-to-day operations.
- Off balance sheet financing – keeps equipment assets and their corresponding liability (if using a bank loan, for example) off the balance sheet. This allows a company to enter into leases without violating balance sheet bank covenants.
- Allows businesses to take advantage of changes in technology – a hedge against technological obsolescence.
- Flexible – provided the business has a favorable credit history terms can be tailored to meet the seasonable needs of the company including end of term purchase and renewal options.
- Depending on the structure of the lease, business can still take advantage of economic stimulus incentives such as IRS Section 179 depreciation deductions and bonus depreciation deductions in the 2008 tax year.
- Convenience – many times access to lease funds is much quicker and easier to obtain.

The bottom line here is that alternative funding is available even in the midst of all this economic turmoil. Just be aware that access to financing may take a little more time to secure and there may be additional documentation requirements.

About Dynamic Funding, Inc.

[Dynamic Funding, Inc.](#) (DFI) is a Colorado based, service oriented, independent, equipment leasing company. Founded in 1996, DFI is a full service lessor that provides financing for business equipment, software, and services. DFI's customers include commercial, non-profit, and government enterprises. We market our services directly to end customers and through partnerships with equipment manufacturers, distributors, resellers, software providers and technology consultants.